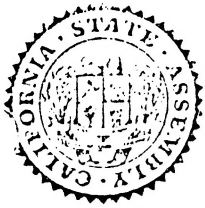


VETERANS HOME OF CALIFORNIA POST FUND
YOUNTVILLE, CALIFORNIA
AS OF JUNE 30, 1975



Joint Legislative Audit Committee

OFFICE OF THE AUDITOR GENERAL

California Legislature



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February 11, 1976

Report #267

Honorable Pauline L. Davis, Chairwoman
Joint Fairs Allocation and
Classification Committee
Room 4148, State Capitol
Sacramento, California 95814

Dear Pauline:

Transmitted herewith is the California Auditor General's
report on the Veterans Home of California Post Fund.
This audit was performed per your request.

The Auditor General has expressed an unqualified
opinion on the financial statements of the Post Fund
for the year ended June 30, 1975.

Cordially,

MIKE CULLEN, Chairman
Joint Legislative Audit Committee

bcc: Baker
Files, #267
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Shirley

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AUDITOR'S REPORT

The Joint Legislative Audit Committee
of the California State Legislature:

We have examined the statement of financial condition of the Veterans Home of California Post Fund as of June 30, 1975, and the related statements of changes in fund balance, income and expenditures, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Veterans Home of California Post Fund as of June 30, 1975, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and with applicable state laws.

Comments

General

The Post Fund has been in operation at the Veterans Home of California for many years. The legal authorization for the Fund and its revenues and expenditures are provided by Sections 1047, 1048 and 1049 of the Military and Veterans Code.

The State Legislature provided in Section 1047 of the Military and Veterans Code that:

The commandant shall maintain a post fund which shall be used, at the discretion of the commandant subject to the approval of the Director of Veterans Affairs, to provide for the general welfare of the home and its members to include but not limited to providing for operations of the Veterans' Home Exchange, motion picture theater, library, band, and to pay for newspapers, chapel expenses, welfare and entertainment expenses, sport activities, celebrations, and to pay for any necessary insurance to protect property of the fund or the Veterans' Home Exchange, or any other activity for the benefit of the home or its members.

The Post Fund by law includes any profits from operations of the Veterans Home Exchange, all donations to the Fund, and with exception of estates located outside the home in excess of \$100,000, any monies received from the estates of deceased members. Money and properties in excess of \$100,000 received from estates located outside the home in any calendar year shall be paid to the General Fund.

The operations of the Veterans Home Exchange consists of those activities listed on Schedule 1 on page 10. The Post Fund includes other partial income-producing activities which are not considered a part of the home exchange operation. These other activities are listed on Schedule 2 and include the bowling alley, guest facility, radio and television, swimming pool, and theater. Of these, only the guest facility produced income in excess of expenditures; in addition, the Post Fund provides educational, recreational and welfare services free to the members.

Operations

The income and expenditures of the Post Fund can be classified into four categories. The first category consists of the Veteran's Home Exchange which is a commercial-type operation (Schedule 1). The second category consists of partial income-producing activities for members which are not considered a part of the Veterans' Home Exchange operation (Schedule 2). The third category consists of expenditures that maintain a variety of programs for the welfare of the members. The fourth category consists of posthumous income from deceased members' estate, interest income from savings accounts and miscellaneous income from the sale of surveyed equipment and gifts.

The operations of the Post Fund for the current year as shown in Exhibit C resulted in an excess of income over expenditures of \$79,182. This is an increase of \$13,476 over the amount of \$65,706 realized in the preceding year. This increase is analyzed as follows:

Increases:

Interest on Savings Account and Trust Fund Investments	\$31,462
Posthumous Receipts and Miscellaneous Income	<u>31,860</u>
Total Increase	<u>\$63,322</u>

Decreases:

Net Income from Veterans Home Exchange Operations	\$ 7,000
Increase in Expenditures	<u>42,846</u>
Total Decrease	<u>\$49,846</u>
NET INCREASE	<u>\$13,476</u>

Prior Audit Finding

In a report on the Review of Operations of the Veterans' Home in California, issued in August 1972 to the Joint Legislative Audit Committee by the Office of the Auditor General, it was reported that in fiscal year 1969-70, the home was the recipient of a gift from an estate of an individual that had not been a member of the home. The will stipulates that the gift is to be used "...for the purpose of medical research" and that "...such bequests shall be carried out to the extent permitted by law and to the extent not so permitted shall go instead to the University of California."

When the home received the amount of \$7,627 from the estate, the money was deposited in the Post Fund. By so doing, the gift has lost its identity and can be used for any legitimate Post Fund expenditure.

In the report of August 1972, it was recommended that a separate account be established for the gift and the intended purpose of the bequest carried out. The administration of the Veterans Home has not carried out this recommendation as of this current audit.

Recommendation

We recommend that the amount of the gift be utilized by the Veterans Home within a reasonable period of time, or transferred to the University of California.

Conclusion

In general, the accounting records of the Veterans Home Post Fund were well kept and in good condition. The finding and recommendation included in this report were discussed with administrative personnel of the Veterans Home.



Phillips Baker
Audit Manager



Wesley E. Voss
Audit Manager in Charge

February 9, 1976

VETERANS HOME OF CALIFORNIA
POST FUND
STATEMENT OF FINANCIAL CONDITION
AS OF JUNE 30, 1975

Assets

Cash		\$ 51,675
Securities - Note 1	\$580,351	
Less Discount on Securities, Net of Premiums on Securities	<u>(200)</u>	580,151
Accounts Receivable		4,666
Due from Trust Funds		36,519
Inventory - Note 1		38,787
Fixed Assets - Note 1	992,603	
Less Accumulated Depreciation	<u>(67,427)</u>	<u>925,177</u>
Total		<u><u>\$1,636,975</u></u>

Liabilities and Fund Balance

Accounts Payable		\$ 94,445
Fund Balance, per Exhibit B:		
Available for Operations	\$617,353	
Invested in Fixed Assets	<u>925,177</u>	<u>1,542,530</u>
Total		<u><u>\$1,636,975</u></u>

The accompanying note is an integral part of the financial statements.

VETERANS HOME OF CALIFORNIA
POST FUND
STATEMENT OF CHANGES IN FUND BALANCE FOR
YEAR ENDED JUNE 30, 1975

	<u>Available for Operations</u>	<u>Invested in Equipment and Improvements</u>	<u>Total</u>
Increases (Decreases):			
Excess of Income Over Expenditures per Exhibit C	\$ 79,182		\$ 79,182
Changes in Fixed Assets:			
Purchases	(64,328)	\$ 64,328	--
Depreciation for the Year	4,011	(4,011)	--
Other Changes, Net	<u>300</u>	<u>(6,602)</u>	<u>(6,302)</u>
Net Increase for the Year	19,165	53,715	72,880
Fund Balance, June 30, 1974	<u>598,188</u>	<u>871,462</u>	<u>1,469,650</u>
Fund Balance, June 30, 1975	<u>\$617,353</u>	<u>\$925,177</u>	<u>\$1,542,530</u>

VETERANS HOME OF CALIFORNIA
POST FUND
STATEMENT OF INCOME AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1975

Income:

Net Income from Veterans Exchange Operation Schedule 1	\$ 9,440
Interest on Savings Accounts and Trust Fund Investments	160,002
Posthumous Receipts and Miscellaneous Income	<u>234,850</u>
Total	<u>404,292</u>

Expenditures:

Net Expenditures from Partial Income-Producing Operations - Schedule 2	\$ 17,735
Baseball	5,564
Burials	2,852
Care and Welfare	4,562
Chapel	6,406
Celebrations	2,952
Entertainment	1,740
Hospital Movies	1,957
Library	12,720
Newspaper (Observer Post)	6,627
Recreation	4,297
Recreation Center	39,868
Rehabilitation	10,923
Residential Care	72,094
Security	3,155
Transportation	33,044
Volunteer Program	6,704
Other - Overhead	<u>91,910</u>
Total	<u>325,110</u>

Excess Income over Expenditures	\$ <u><u>79,182</u></u>
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VETERANS HOME OF CALIFORNIA
POST FUND
COMPARATIVE STATEMENT OF CHANGES IN
FINANCIAL POSITION FOR THE YEARS ENDING
JUNE 30, 1975, 1974 AND 1973

	Year Ended June 30		
	<u>1975</u>	<u>1974*</u>	<u>1973*</u>
Working Capital Provided:			
From Operations:			
Net Income from Veterans Exchange	\$ 9,440	\$ 16,440	\$ 8,839
Charges to Income not Representing			
Current Cash Outlay (Depreciation)	4,011	3,960	4,154
Nonoperating Income	394,852	331,529	321,594
Proceeds of Matured Notes Receivable	<u>520</u>	<u>244</u>	<u>271</u>
Total Working Capital Provided	<u>408,823</u>	<u>352,173</u>	<u>334,858</u>
Working Capital Applied:			
Members Welfare	233,199	202,608	173,329
Overhead (Administration, Rent, Insurance)	91,910	79,655	79,983
Additions to Improvements and Equipment	64,328	105,701	62,116
Reduction in Long-Term Debt	5,728	3,600	3,600
Funds Advanced to United Grocers	<u>373</u>	<u>307</u>	<u>365</u>
Total Working Capital Applied	<u>395,538</u>	<u>391,871</u>	<u>319,393</u>
Increase or (Decrease) in Working Capital	\$ <u>13,285</u>	\$ <u>(39,698)</u>	\$ <u>15,465</u>
The working capital at June 30 of each year is tabulated below:			
	<u>1975</u>	<u>1974</u>	<u>1973</u>
Current Assets	\$127,925	\$102,152	\$178,972
Current Liabilities	94,445	81,638	89,745
Adjustment to Long-Term Liabilities	<u>(319)</u>	<u>-0-</u>	<u>-0-</u>
Net Working Capital	<u>33,799</u>	<u>20,514</u>	<u>89,227</u>
Change from Preceding Year	\$ <u>13,285</u>	\$ <u>(39,698)</u>	\$ <u>15,465</u>

* Note: Amounts shown for years ending June 30, 1974 and 1973 were not audited. These amounts are presented for comparative purposes only.

VETERANS HOME OF CALIFORNIA
POST FUND
STATEMENT OF INCOME FROM VETERANS EXCHANGE OPERATIONS
YEAR ENDED JUNE 30, 1975

	<u>Sales</u>	<u>Cost of Goods Sold</u>	<u>Operating Expense</u>	<u>Profit (Loss)</u>
Tobacco	\$ 45,575	\$ 39,018	\$ 8,852	\$ (2,295)
Merchandise	21,670	14,563	4,644	2,463
Grocery	14,134	9,794	2,489	1,851
Clothing	4,314	3,462	894	(42)
Fountain	8,192	6,615	1,570	7
Coffee Shop	55,948	33,493	40,506	(18,051)
Tavern	85,369	36,205	27,693	21,471
Newsstand	5,458	4,760	993	(295)
Barbers	36,540	-0-	40,961	(4,421)
Hospital Post Exchange	78,323	64,803	17,480	(3,960)
Vending Machines	8,306	(337)	499	8,144
Baseball Park				
Tavern	5,049	1,390	1,299	2,360
Fountain	<u>6,708</u>	<u>2,861</u>	<u>1,639</u>	<u>2,208</u>
Total	<u>\$375,586</u>	<u>\$216,627</u>	<u>\$149,519</u>	<u>\$ 9,440</u>

VETERANS HOME OF CALIFORNIA
POST FUND
STATEMENT OF EXPENDITURES
FROM PARTIAL INCOME PRODUCING OPERATIONS
YEAR ENDED JUNE 30, 1975

	<u>Expenditures</u>	<u>Income</u>	Net Expenditures (Income)
Bowling Alley	\$ 8,509	\$ 3,346	\$ 5,163
Guest Facility	1,551	4,730	(3,179)
Radio and Television	1,157	756	401
Swimming Pool	3,990	1,069	2,921
Theater	<u>13,320</u>	<u>891</u>	<u>12,429</u>
Total	<u>\$28,527</u>	<u>\$10,792</u>	<u>\$17,735</u>

NOTE TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies of Veterans Home of California Post Fund

- . The financial statements have been prepared to conform with generally accepted accounting principles followed by business enterprises in general in determining financial position and results of operations.
 - (a) Securities consist of bonds with a maturity value of \$579,000 and mutual fund shares valued at \$1,351. The bonds are valued at maturity value less the net of amortized bond premium and discount, and the mutual shares are valued at market value at time of receipt.
 - (b) Inventory is stated at the lower of cost or market, with cost determined by the first-in, first-out method after deduction of all trade discounts.
 - (c) Fixed assets are carried at cost less accumulated depreciation computed on the straight-line method.
- . The Veterans Home of California Post Fund is a governmental entity and is accordingly exempt from income tax liability. The statement of income and expenditures does not, therefore, include a provision for taxes based upon income.